

[REDACTED]

[REDACTED]

[REDACTED]

JAN 10 1989

CERTIFIED MAIL:

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(7) of the Internal Revenue Code of 1954.

The information submitted indicates that you were incorporated on [REDACTED] under the laws of the State of [REDACTED].

Your stated purpose is to promote interest and foster preservation of the [REDACTED] and [REDACTED] automobiles.

Your activities are the "[REDACTED]" shows and friendly, social and recreational gatherings.

Your income derives from membership dues and proceeds from the "[REDACTED]" shows. Your expenditures are for advertising, newsletters and miscellaneous expenses of the automobile meets.

Section 501(c)(7) of the Code exempts from Federal income tax clubs organized for pleasure, recreation and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Section 1.501(c)(7)-1(a) of the income tax regulations states that the exemption provided by Section 501(a) for organizations described in Section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation and other non-profitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder. In general, this exemption extends to social and recreation clubs which are supported solely by membership fees, dues and assessments

Public Law 94-568, as explained in Senate Report No. 94-1318, published in Cumulative Bulletin 1976-2 page 597, provides that a club exempt from taxation and described in Section 501(c)(7) is to be permitted to receive up to 35% of its gross receipts from a combination of investment income and receipts from non-members (from the use of facilities or services) so long as the latter do not represent more than 15% of the total receipts. It is further stated that if an organization exceeds these limits, all of the facts and circumstances must be considered in determining whether the organization qualifies for exempt status.

Revenue Ruling 65-63, published in Cumulative Bulletin 1965-1, Page 240, holds that a non-profit organization which, in conducting sports car events for the pleasure and recreation of its members, permits the general public to attend such events for a fee on a recurring basis and solicits patronage by advertising, does not qualify for exemption as a club organized and operated exclusively for pleasure, recreation and other non-profitable purposes under Section 501(c)(7) of the Code.

In Revenue Ruling 79-145, 1979-1 C.B., page 360, it was determined that amounts paid to a social club by visiting members of another social club are amounts paid by non-members, even though both clubs are of like nature and the amounts paid are for goods, facilities, or services provided by such social club under a reciprocal arrangement with such other social club.

Your [REDACTED] planned non-members income will be \$[REDACTED] [REDACTED]% of gross income. Member dues could not cover the expenses of the club and the automobile shows, therefore, the non-member income will inure to the private benefit of the club members by paying costs for which the members otherwise would be liable. You are therefore not qualified for exemption from federal income tax as an organization described in Section 501(c)(7) of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120 for each year you have been in existence.

[REDACTED]

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892